

**DEPARTMENT OF MENTAL HEALTH,
RETARDATION AND HOSPITALS
COMMUNITY COUNSELING CENTER, INC.
REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 1998 AND 1997**

**DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
ONE CAPITOL HILL
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUREAU OF AUDITS
One Capitol Hill
Providence, R.I. 02908-5889
TEL #: (401) 222-2768
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Department of Mental Health, Retardation and Hospitals

Community Counseling Center, Inc.

REPORT ON CONTRACT COMPLIANCE

Fiscal Years Ended June 30, 1998 and 1997

EXECUTIVE SUMMARY

The prior audit report for Community Counseling Center, Inc., issued May 26, 1998 by the Bureau of Audits, had two recommendations of which one was applied.

Based on our contract compliance engagement for the fiscal years ended June 30, 1998 and 1997 we determined the following:

1. The Center had excessive budget line item variances during the period reviewed.
2. The Center inadvertently reported retroactively during fiscal year 1997 nonmatchable revenue to MHRH for adjustment to fiscal year 1996 matchable revenue.
3. The Center's CPA audit report for fiscal year ended June 30, 1998 overstated matchable revenues.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
COMMUNITY COUNSELING CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

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March 22, 2000

Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
Barry Hall - 2
600 New London Avenue
Cranston, RI 02920


Dear Ms. Power:

We have completed an examination of the contracts between the Department of Mental Health, Retardation and Hospitals (MHRH) and Community Counseling Center, Inc., for the fiscal years ended June 30, 1998 and 1997.

The findings and recommendations included herein have been discussed with management and we have considered their comments in the preparation of our report. Section 35-7-4 of the General Laws required the director of the department audited to respond in writing within sixty days to all recommendations made by the Bureau of Audits. A copy of your reply should also be sent directly to Robert L. Carl, Jr., Ph.D., Director, Department of Administration and to the Honorable Antonio J. Pires, Chairman of the House Finance Committee and to the Honorable J. Michael Lenihan, Chairman of the Senate Finance Committee.

We wish to express our appreciation to the officials of the Department of MHRH and to the director and staff members of Community Counseling Center, Inc., for the assistance, cooperation and courtesies extended to us during the course of this examination.

Sincerely,


Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pb

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
COMMUNITY COUNSELING CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

SCOPE AND PURPOSE

The purpose of this engagement was to determine compliance with your department's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the Matching Grant Contracts and with the terms and conditions contained within the Community Support Residential and Acute Alternative Services Contracts as to:

- whether revenues were matchable or nonmatchable;
- total matchable income used as the basis for funding fiscal years 2000 and 1999;
- whether reported expenses were allowable and properly allocated;
- whether reported revenues were accurate; and
- any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our examination of the financial records included verification of revenues and expenses through testing procedures to the extent we deemed necessary in the circumstances. Occupancy requirements and resident contributions were examined for adherence to contract specifications. Client fund management was reviewed for conformance with applicable policies and guidelines.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
COMMUNITY COUNSELING CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

BACKGROUND

Section 40.1-8.5-6 of the General Laws of the State of Rhode Island authorizes the Director of the Department of Mental Health, Retardation and Hospitals (MHRH) to make grants to community mental health boards to provide mentally disabled children and adult services which shall include but not be limited to psychiatric, medical, nursing, psychological, social, rehabilitative and support services provided in the prevention, diagnosis, treatment and follow-up of mental disabilities, and in addition, may include those services designed to prevent mental disabilities or be of a consultative, informational or educational nature about mental disabilities. It is under this authorization that Community Counseling Center, Inc., operates.

It is the intent of the law that an individual's eligibility to receive any public or private assistance be exhausted prior to the expenditure of state and local monies.

The Center's administrative offices, which are leased from the State of Rhode Island, are located at 1516 Atwood Avenue, Johnston, Rhode Island.

The Center owns buildings at 101-103 Bacon Street, Pawtucket, R.I., which houses the Valley Day, Children's Intensive Services, Psych Rehabilitation Services, and Valley Community school programs, Case Work and the Mobile Treatment Team.

On July 1, 1995 the Center and its affiliates became affiliates of Gateway Healthcare, Inc., a nonprofit regional corporation.

The Center is governed by a board of directors consisting of not more than 21 nor less than 15 individuals elected annually.



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
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August 17, 1999

Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
Barry Hall - 2
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and Community Counseling Center, Inc. (Center), solely to assist the users in evaluating management's assertion about the Center's compliance with the Division of Integrated Mental Health's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the matching Grant contracts and with the financial terms and conditions contained within the Community Support Residential and Acute Alternatives Services contracts during the fiscal years ended June 30, 1998 and 1997, included in the accompanying Report on Contract Compliance. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

For purposes of this engagement we tested compliance with the above mentioned specified requirements for determining matchable revenues, allowable costs, accuracy of reported activities and any excess funding on behalf of MHRH. Based on the application of the procedures referred to above, we became aware of an instance of noncompliance with a provision of MHRH's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers; and, determined noncompliance

Ms A. Kathryn Power, Director
Page 2
August 17, 1999

with a provision in the Community Support, Residential and Acute Alternatives Services contracts for the fiscal years ended June 30, 1998 and 1997. These matters are discussed in the accompanying "Findings and Recommendations" section of this report.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of MHRH and the Center and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pb

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
COMMUNITY COUNSELING CENTER, INC.
STATEMENT OF REVENUES AND EXPENSES
FISCAL YEAR ENDED JUNE 30, 1998

	Community Support, Residential, and Acute Alternatives	General Out Patient Services	Other Programs	Title XIX Medicaid	Total
<u>Revenues</u>					
MHRH	\$ 111,090	151,379	-	-	262,469
DCYF	-	-	214,816	-	214,816
Other Funding Sources	86,681	-	509,081	-	595,762
Title XIX Medicaid	-	-	-	7,212,821	7,212,821
Municipalities	210	45,000	1,676,789	-	1,721,999
Contributions	-	-	31,084	-	31,084
Third Party Reimbursements	140,598	55,912	95,906	-	292,416
Resident Fees	125,309	-	-	-	125,309
Program Fees	87,001	22,679	385,187	-	494,867
Interest	3,998	-	-	-	3,998
Total Revenues	\$ 554,887	274,970	2,912,863	7,212,821	10,955,541
<u>Expenses</u>					
Personnel	\$ 3,917,649	321,478	3,459,769	-	7,698,896
Operating	1,618,175	106,301	1,284,905	-	3,009,381
Purchased Equipment	51,017	-	26,523	-	77,540
Total Expenses	\$ 5,586,841	427,779	4,771,197	0	10,785,817
<u>Other Financing Sources (Uses)</u>					
Intrafund Transfer-Title XIX-Medicaid	\$ 4,759,702	21,944	2,431,175	(7,212,821)	
Excess (Deficiency) of Revenues Over Expenses	\$ (272,252)	(130,865)	572,841	0	169,724

See accompanying notes to financial information.

:SP-6A

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
COMMUNITY COUNSELING CENTER, INC.
STATEMENT OF REVENUES AND EXPENSES
FISCAL YEAR ENDED JUNE 30, 1997

	Community Support, Residential, and Acute Alternatives	General Out Patient Services	Other Programs	Title XIX Medicaid	Total
<u>Revenues</u>					
MHRH	\$ 408,076	77,730	-	-	485,806
DCYF	-	-	328,835	-	328,835
Other Funding Sources	78,070	-	322,246	-	400,316
Title XIX Medicaid	-	-	-	6,308,756	6,308,756
Municipalities	-	60,000	1,146,182	-	1,206,182
Contributions	-	3,735	36,060	-	39,795
Third Party Reimbursements	65,860	88,556	60,643	-	215,059
Resident Fees	164,765	-	-	-	164,765
Program Fees	175,426	69,747	289,607	-	534,780
Interest	6,162	-	-	-	6,162
Total Revenues	\$ 898,359	299,768	2,183,573	6,308,756	9,690,456
<u>Expenses</u>					
Personnel	\$ 3,617,597	247,650	2,788,529	-	6,653,776
Operating	1,478,849	106,643	1,227,477	-	2,812,969
Purchased Equipment	40,305	2,842	33,477	-	76,624
Total Expenses	\$ 5,136,751	357,135	4,049,483	0	9,543,369
<u>Other Financing Sources (Uses)</u>					
Intrafund Transfer-Title XIX-Medicaid	3,998,295	33,468	2,276,993	(6,398,756)	
Excess (Deficiency) of Revenues Over Expenses	\$ (240,097)	(23,899)	411,083	(90,000)	147,087

See accompanying notes to financial information.

:SP-6B

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 COMMUNITY COUNSELING CENTER, INC.
 STATEMENT OF OPERATIONS - TITLE XIX PROGRAM
 FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

	<u>Fiscal Year Ended June 30</u>	
	<u>1998</u>	<u>1997</u>
<u>Beginning Balance</u>	\$ 0	0
Revenues Received Designated for Programs	<u>7,212,821</u>	<u>6,308,756</u>
<u>Revenues Applied:</u>		
Community Support and Related Services	4,759,702	3,998,295
General Outpatient Services	21,944	33,468
Other Programs	<u>2,431,175</u>	<u>2,276,993</u>
Total Applied	<u>7,212,821</u>	<u>6,308,756</u>
<u>Ending Balance</u>	\$ <u>0</u>	<u>0</u>

See accompanying notes to financial information.

:SP-6C

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 COMMUNITY COUNSELING CENTER, INC.
 STATE MATCHING PROGRAM
 DETERMINATION OF OVER (UNDER) PAYMENT OF STATE MATCHING FUNDS
 FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

	FISCAL YEAR ENDED JUNE 30			
	1998		1997	
<u>State Funds Allocated:</u>				
General Outpatient Services	\$ 103,427		113,966	
Community Support, Residential and Acute Alternatives	<u>103,427</u>	<u>206,854</u>	<u>113,966</u>	<u>227,932</u>
 Matchable Revenues - Fiscal Years Ended June 30, 1996 and 1995		<u>991,682</u>		<u>111,051</u>
 <u>Determination of Over (Under) Payment of State Funds:</u>				
State Funds Allocated (Note 2)		206,854		227,932
 Deduct Lesser of:				
(a) Applicable Percentage of Matchable Revenues		206,854		227,932
(b) State Funds Allocated		206,854		227,932
 Maximum Support - Lesser of A or B (Note 3)		<u>206,854</u>		<u>227,932</u>
 Over (Under) Payment of State Matching Funds	\$	<u>0</u>		<u>0</u>

See accompanying notes to financial information.

:SP-6D

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
COMMUNITY COUNSELING CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

NOTES TO FINANCIAL INFORMATION

Note 1 - Significant Accounting Policies

Basis of Accounting:

Financial information is presented on the accrual basis of accounting which is in compliance with the Division of Integrated Mental Health Services Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Note 2 - State Funds Allocated - Exhibit D

These amounts represent the total of the matching grants encumbered by the Department of MHRH for the operation of Community Counseling Center, Inc.

Note 3 - Maximum Support - Exhibit D

State funds allocated are subject to the lesser of the following:

- A. 20.859% of the matchable revenue for the fiscal year ended June 30, 1996 and 205.25% of the matchable revenue for the fiscal year ended June 30, 1995.
- B. The maximum state funding as determined above cannot exceed the dollar amount originally allocated for the respective fiscal year.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
COMMUNITY COUNSELING CENTER, INC.
STATE MATCHING PROGRAM
SCHEDULE OF MATCHABLE AND NONMATCHABLE REVENUES
FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

	FISCAL YEAR ENDED JUNE 30	
	1998	1997
<u>State of Rhode Island</u>		
Adult General Outpatient Program	\$ 151,379	77,730
Community Support, Residential & Acute Alternatives	<u>6,971</u>	<u>297,025</u>
Total State Funds Allocated	158,350	374,755
<u>Matchable Revenues</u>		
Local Communities	1,690,223	1,206,182
Contributions - Net	<u>24,682</u>	<u>33,890</u>
Total Matchable Revenues (For Fiscal Year Ending June 30, 2000 and 1999)	1,714,905	1,240,072
<u>Nonmatchable Revenues</u>		
Community Support, Residential & Acute Alternatives	104,119	111,051
Title XIX Program	7,212,821	6,308,756
Client Fees	620,176	699,545
Other Programs	816,980	735,056
Third Party Reimbursements	292,416	215,059
Local Communities	31,776	0
Interest	<u>3,998</u>	<u>6,162</u>
Total Nonmatchable Revenues	<u>9,082,286</u>	<u>8,075,629</u>
Total Revenues (Exhibits A and B, Respectively)	\$ <u>10,955,541</u>	<u>9,690,456</u>

:SP-6S

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
COMMUNITY COUNSELING CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

STATUS OF PRIOR AUDIT RECOMMENDATIONS JUNE 30, 1996

Community Support, Residential, and Acute Alternatives

. If performance standards have, in fact, been deemed satisfactory by the Department for the period under review, officials of MHRH should take into account the excess revenue of \$312,663 as available income for the Community Support Services Program when determining subsequent funding to Community Counseling Center, Inc.

Complied.

Independent CPA Audit Report

. MHRH officials should not accept CPA audit reports that are not in accordance with Departmental Rules and Regulations.

Did not comply. (See recommendation 3)

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
COMMUNITY COUNSELING CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

CURRENT YEARS FINDINGS AND RECOMMENDATIONS

Net Operations

Net operating results for the Center's programs for the fiscal years ended June 30, 1998 and 1997 are summarized below:

Revenue Excess (Deficiency) - Exhibits A and B

<u>Program</u>	<u>1998</u>	<u>1997</u>
Community Support, Residential, And Acute Alternatives	\$ (272,252)	\$ (240,097)
Adult Outpatient Services	(130,865)	(23,899)
Other Programs	<u>572,841</u>	<u>411,083</u>
Total Revenue (Deficiency)	\$ <u>169,724</u>	\$ <u>147,087</u>

Community Support, Residential, and Acute Alternatives

Excessive budget line item variances occurred in the Community Support, Residential, and Acute Alternatives contracts for the fiscal years ended June 30, 1998 and 1997. Addendum II, Sections II-4 and 5 of the financial terms and conditions states in part:

"Any amendments to the approved budget detail on file with the DEPARTMENT, except as specifically exempted below, requires the prior written approval of the DEPARTMENT."

"A line item deviation of 10% or \$5,000, whichever is greater, is allowed without Amendment..."

"A 5% Deviation in the overall budget is also allowed without Amendment provided that the budget does not show a deficit as a result."

"Spending beyond the budget without amendment will result in the disallowance of the added expenditure." (This is a new provision appearing in the fiscal year ended June 30, 1998 contract)

Those line items in excess of 10% or \$5,000, whichever is greater are as follows:

<u>Line Item</u>	<u>6/30/98</u>	<u>6/30/97</u>
Program Supplies and Expense	\$ 21,265	-
Travel	-	20,675
Insurance	-	5,939
Bad Debt Expense and Other	79,806	-
Allocated Costs	-	226,456
Overall Budget	5,709	-

The Center did not submit line item budget amendment requests to MHRH as required by the above State contract provisions.

Recommendation

1. MHRH officials should take steps to enforce and ensure that line item deviations are adhered to by providers in accordance with the above contract provisions and recover the added expenditures in accordance with contractual provisions as stated above.

State Matching Program

There was no over or under payment of state matching funds during the period reviewed (See Exhibit D).

Matchable Revenues were examined for fiscal years ended June 30, 1998 and 1997 and are summarized as follows:

	<u>1998</u>	<u>1997</u>
Municipal Revenues	\$ 1,690,223	1,206,182
Net Contributions	<u>24,682</u>	<u>33,890</u>
Total Matchable Revenues	\$ <u>1,714,905</u>	<u>1,240,072</u>

Funds received in the fiscal years ended June 30, 1998 and 1997 will be the basis for determining state funds allocated by the Department of MHRH for the subsequent fiscal years ending June 30, 2000 and 1999.

For matching purpose for the fiscal year ended June 30, 1996, the Center submitted \$1,105,665 in municipal school revenue. This amount included \$218,102 in nonmatchable revenues consisting of \$210,235 as in-kind revenue and \$7,867 in fund raising expenses.

The Center has stated that the submission of these funds was done inadvertently, but nevertheless, was accepted by MHRH at the time of its submission. It should be noted that the financial information contained in the "Determination of Over (Under) Payment of State Matching Funds" for fiscal year ended June 30, 1996, shown as Exhibit D to this report does not include the matching of these funds. This was due solely to the Center already exceeding their matchable revenue target of \$245,316. Had the Center not obtained their matchable revenue target MHRH would have erroneously matched these funds since no comparison was made between the fiscal year 1996 revenue submitted for match to the Center's audit report for fiscal year 1996.

Recommendation

2. MHRH officials should compare revenue submitted by providers with audited financial reports prior to determining revenue for matching purposes.

Other Programs

This account represents funding from sources other than MHRH-Division of Integrated Mental Health Services.

Revenue Deficiencies

It is our understanding that each contract stands on its own and that any expenses in excess of the contracted amounts be absorbed by the provider.

During the period under review the following Division of Integrated Mental Health Services contracts had revenue deficiencies:

1998 - Community Support, Residential, and Acute Alternatives	\$ (272,252)
1998 – General Outpatient Services	\$ (130,865)
1997 – Community Support, Residential, and Acute Alternatives	\$ (240,097)
1997 – General Outpatient Services	\$ (23,899)

Independent CPA Audit Report

The Independent CPA Audit Report for the fiscal year ended June 30, 1998 overstated matchable municipal revenue by \$31,776 and overstated contributions by \$8,711. The CPA report erroneously reported fiscal year ended June 30, 1997 fund raising expenses in the fiscal year ended June 30, 1998 audit report.

Departmental Matching Grant Regulation 7.9.6. states:

"The Center's CPA audit shall include a verification of matchable revenue as hereinafter defined for the year reviewed."

Recommendation

3. MHRH officials should adjust their records and not match the overstated revenue of \$40,487 and not accept CPA audit reports that are erroneous and not in accordance with Departmental Rules and Regulations.